BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES FOR THE CITY OF INDIANAPOLIS D/B/A CITIZENS ENERGY GROUP AND CWA AUTHORITY, INC., INCLUDING THE BILLING PRACTICES AND COMPLIANCE WITH APPROVED RULES AND REGULATIONS	)	**CAUSE NO. 44462**

CITIZENS ENERGY GROUP AND CWA AUTHORITY, INC.'S PARTIAL AND SUPPLEMENTAL RESPONSES TO THE COMMISSION'S QUESTIONS SET FORTH IN ITS SEPTEMBER 17, 2014 DOCKET ENTRY

Respondents Citizens Energy Group ("Citizens") and CWA Authority, Inc. (the "Authority"), by counsel, respectfully submit the following partial and supplemental responses to the questions set forth in the docket entry issued by the Commission on September 17, 2014, in this Cause. (Respondents previously submitted partial responses to some of the questions on September 19, 2014.)

Question 1: Please provide an updated Respondents' Exhibit RLH-2 which shows gas and water/sewer call categories separately as well as a chart that shows the data numerically.

Response 1:

Please see attached IURC DER – 2.1 for Respondents' Exhibit RLH-2, updated through August 2014, and a chart containing the corresponding data. Two call centers were maintained prior to the October 2012 call center integration, and as a result, call volume data was available for gas and water/sewer calls separately. Because the call centers have been fully integrated, and one call may relate to more than one utility service, call volume data no longer is available segregated by utility service.

Respondent:

Rhonda L. Harper

Question 2: On page 17, lines 14-19 of her testimony, Ms. Rhonda Harper provides a chart showing the number of leaks for gas and water in January through March 2013 versus January through March 2014. Please provide that information broken down into water and gas categories in an updated chart.

Response 2:

As Ms. Harper's testimony stated, the extreme weather in 2014 resulted in additional calls due to leaks and/or broken pipes. The breakdown of the information into water and gas categories is consistent with Ms. Harper's testimony. While the number of gas leaks stayed relatively stable between 2013 and 2014, the number of water leaks increased significantly, which is to be expected when temperatures reach the extreme lows experienced in 2014.

Number of Leaks *(gas and water)*			
	January	February	March
2013			
Gas	1,194	842	914
Water	518	476	608
Total	1,712	1,318	1,522
2014			
Gas	1,219	934	970
Water	3,635	1,999	1,756
Total	4,854	2,933	2,726

Respondent:

Rhonda L. Harper

Question 3: Please indicate how many customers who reported gas leaks in January through March 2014 had previously reported a leak. Of those customers reporting leaks in January through March 2014, please state how many had estimated meter reads in November 2013 or December 2013, respectively.

Response 3:

There were 3,123 customers reporting a gas leak between January and March, 2014; 437 of those customers previously had reported a gas leak on or after January 1, 2013 and before the date a leak was reported between January and March 31, 2014. Of those same 3,123 customers reporting a gas leak between January and March, 2014, 52 customers' meter reads were estimated in November 2013 and 68 customers' meter reads were estimated in December 2013 for various reasons such as weather, missed reads, non-registering meters, high bill exceptions, etc.

Respondent:

Rhonda L. Harper

Question 4: On page 8, lines 20-21 of Mr. Leon Broughton's testimony, he indicated that there was one unsolved integration issue which impacts customers. Please identify that issue, and discuss whether it is still on track to be resolved by the end of summer.

Response 4:

The remaining integration issue is with accounts that receive billing exception 15. This billing exception is generated when there is an invalid data condition on the account that needs to be corrected with an IT script. The programmed solution to clear the exception has been developed, tested, and implemented. There are no accounts that currently have this exception.

Respondent:

Leon D. Broughton

Question 5: On page 18, lines 20-21 of Mr. Broughton's testimony, he stated that Citizens averages 4,166 various billing exceptions per day. Please provide a chart which shows billing exceptions by volume and type as well as a chart detailing the average amount of time needed to address the billing exception.

Response 5:

The requested Chart is attached as IURC DER – 2.5 and includes an approximate amount of time to clear each exception.

Respondent:

Leon D. Broughton

Question 6: Please describe the 11 business issues referred to on page 22 of Mr. Broughton's testimony.

Response 6:

Please see the attached document identified as IURC DER – 2.6.

Respondent:

Leon D. Broughton

Question 7: In Respondent's Exhibit LDB-4, Citizens provided a list of billing exceptions. Please describe what has been done to remedy each issue in order to decrease the incidence of billing exception occurrences causing billing errors for customers.

Response 7:

There will always be circumstances, such as the days of service for the billing period being below the minimum number of days allowed, that will generate a billing exception(s). Billing exceptions reflect billing controls designed to prevent the issuance of inaccurate bills. Consequently, eliminating billing exceptions is neither realistic nor desired. However, during the integration issues project, we invested many hours in researching the root cause of billing exceptions. As a result, several code fixes were implemented. We also developed a process to address the most frequent billing exception we receive, which is billing exception #1 (Missing Meter Reading). This new process was implemented in mid-June, 2014, and it has reduced the number of billing exceptions of this type. This improvement has contributed to reducing our average daily billing exceptions from 4,166 to 2,001.

Respondent:

Leon D. Broughton

Question 8: Please provide a start date for allowing customers to designate payments to specific charges via telephone call to the Customer Call Center.

Response 8:

We began training phone center associates on the designated payments process July 15, 2014. As each phone center associate completed training, the associate was authorized to designate payments via a telephone call. Approximately 86% of all phone center associates were trained by the end of July, and all remaining associates were trained by the end of August 2014.

Respondent:

Rhonda L. Harper

Question 9: Mr. Michael Strohl indicates in his testimony (Respondents' Exhibit MDS-16) that over 28,000 customers receive electronic bills monthly. However, this differs from Mr. Broughton's stated number of "just under 27,000". Please clarify this discrepancy.

Response 9:

Mr. Broughton's response in his testimony states "As of June 20, 2014 there are just under 27,000 customers enrolled in electronic billing" (Testimony of Leon Broughton, page 12, lines 3-4).

Mr. Strohl states in his testimony dated July 21, 2014, "Through a successful email campaign to encourage electronic billing, we have increased the number of e-bill customers by 233%, with over 28,000 customers receiving electronic bills each month." (Testimony of Michael Strohl, page 16, lines 14-16).

The difference between Mr. Strohl's count of e-bill customers and Mr. Broughton's count of e-bill customers reflects a timing difference. From the period June 20, 2014 through July 20, 2014, 1,763 customers enrolled in electronic billing for Citizens Energy Group.

Respondents:

Michael D. Strohl

Question 10: Since October 2012 system integration, please discuss whether Citizens analyzed Veolia's records and billing system to ensure all active and inactive accounts have been identified.

Response 10:

As part of the overall integration project, there was a validation plan put in place to ensure Veolia's records were fully integrated into Citizens' billing system. Citizens ran several validation scripts specific to active and inactive accounts after the Veolia records were integrated into Citizens' billing system. Below is a list of the primary data elements validated.

- Customer Data
  - Customer Name
  - Customer Address
  - Meter Numbers
  - Meter Size
- Service History
- Bill History
- Outstanding Refunds
- Outstanding Service Orders
- Sewer Only Accounts
- Archived Bills
- Existing Payment Arrangements
- Billing Cycles
- Accounts Receivable Totals
- Service Count Totals

Respondent:

Leon D. Broughton

Question 11: In the case of an account being absent from the billing roster, please discuss whether Citizens is able to tell the difference between a customer receiving service legally versus illegally and not being billed. If so, please discuss whether the procedure for calculating back-billing is different, and explain the difference.

Response 11:

When Citizens finds consumption on an inactive meter in the billing system, research is performed on previous orders to determine if there was a system error that prevented the account from being activated in the billing system. If that was the case, then the account is activated in the billing system as of the date the service order was actually completed, and the account is back-billed from that point, not to exceed 12 months. If Citizens does not find any indication that a customer called for service, then an order is issued to have the service turned off for unauthorized consumption, and the customer is billed to the point in time where we can reasonably confirm the customer was living there. The formula for calculating the volume to be back-billed is the same whether it was an authorized connection or an unauthorized connection. However, in cases of an unauthorized connection, Citizens includes authorized additional fees to recover the cost to correct the condition. The account is back-billed to the point in time where we can reasonably confirm the customer was living there, which may exceed 12 months. Additional fees to recover the cost to correct the condition also will be charged.

Respondent:

Leon D. Broughton

Question 12: Please describe efforts to remedy the specific issue of locating meters that meter readers are unable to find.

Response 12:

Citizens recently fixed a system bug that was preventing meter location codes from being downloaded to the Customer Information system from the field service order system. Additionally, in the case of meters that are repeatedly difficult to locate, Meter Reading generates service orders (Meter Inspects) to identify precise meter locations.

Respondent:

Curtis H. Popp

Question 13: Please describe the process and timeline for notifying a customer that the utility cannot access the meter using hang tags, customer letters, and disconnection of service.

Response 13:

In the event that Citizens is unable to access a customer's meter, the following steps are taken:

During the first six months of such a situation, Citizens' Meter Reader (at his or her discretion) may leave a hang tag. If the situation persists beyond six months, leaving the hang tag becomes mandatory. Additionally, after the fourth month, Citizens begins sending letters to the customer advising the customer of the situation and requesting access to the meter. Unfortunately, a large number of these letters are ignored by the customer and the problem persists. The final action in this process, service disconnection, has yet to be implemented. In reviewing this issue, Citizens has found that the majority of these customers pay their bills and are largely unconcerned that their consumption has been estimated.

Respondent:

Curtis H. Popp

Question 14: Please discuss Citizens' compliance with 170 IAC 5-1-13 and 170 IAC 6-1-13 to estimate beginning and final reads for billing when a customer has terminated or transferred service.

Response 14:

Please see the testimony of Curtis H. Popp, page 16, line 16 through page 17, line 19. By means of an update, on September 2, 2014, Citizens began contracting with a third party to obtain off-cycle reads, including statement orders.

Respondent:

Curtis H. Popp

Question 15: Please discuss whether Citizens has a system to verify the meter reader actually read the meter.

Response 15:

There are several checks in place that help ensure meter readers actually obtain a meter read. First, when the meter reader obtains a read, it is entered into a handheld device for eventual downloading to Citizens' customer information system at the end of the day. The handheld device has an auditing function that immediately requires the meter reader to reread the meter if the initial read appears to be either too high or too low. In extreme cases, when the meter reader reenters the meter read and it continues to appear to be either too high or too low, the handheld device will require the meter reader to reread the meter for a third time. Second, any read that continues to appear erroneous is flagged by Citizens' billing department for additional follow up. Meter reading supervision monitors these exceptions to identify trends and correct any systemic issues that may be occurring. Third, when a meter read is obtained, the precise reading time is recorded. Meter reading supervision randomly reviews a report that details meter reading times looking for anomalies where the time stamps appear unusual. Third, a portion of a meter reader's pay is tied to meter reading accuracy. Finally, in the event that a meter reader intentionally skips a meter read that could have otherwise been obtained, disciplinary action is taken.

Respondent:

Curtis H. Popp

Question 16: Citizens believes meter reads being marked as actual on a customer's bill when the read is estimated is an uncommon occurrence. Please describe the data Citizens has to indicate this is an uncommon occurrence. Please indicate how many documented incidences of customer bill meter reads being erroneously recorded as actual instead of estimated have occurred.

Response 16:

This error occurs when a meter read is manually posted to an account and a representative mistakenly chooses the wrong read type. Over the past year, Citizens has manually entered approximately 300 reads on average per day. Citizens posts approximately 29,000 reads per day, so manually posted reads represent approximately one percent of the total reads posted per day. Although our representatives are well trained and experienced, manually entering reads introduces the possibility of human error. Consequently, Citizens believes a read classification error is uncommon. This belief is based on the fact customer complaints about mislabeled reads are rarely, if ever received by Citizens.

Respondent:

Leon D. Broughton

Question 17: Please describe the actions Citizens plans to take to keep the Commission informed of significant customer service and billing issues in the future.

Response 17:

Citizens has undertaken a number of initiatives historically to inform the Commission on customer service issues, including a monthly (now bi-weekly) report to the Consumer Affairs Division on call center statistics, formal presentations to the Commission at events such as the winter gas preparedness forum, proactive communication with Commission staff on major initiatives (such as combined billing and introduction of UtilityShield), as well as working with CAD staff on customer complaints.

In response to this proceeding, Citizens is proposing an additional layer of transparency around call center performance, billing statistics and meter reading performance. We are proposing that, in lieu of the bi-weekly reports Citizens currently sends the CAD, Citizens file a quarterly customer service data report with the Consumer Affairs Division, commencing with the quarter ended December 31, 2014 for a period of three (3) years, concluding in December 2017. This report will include key operating statistics and will provide explanations for any significant deviation in performance.

An example of the report we are proposing is attached and identified as IURC DER – 2.17.

Respondent:

Michael D. Strohl

Question 18: On page 19 of Ms. Jodi Whitney's testimony, she indicates "STIP is an 'at-risk' pay-for-performance component of each employee's annual total cash compensation." Please explain how being "at-risk" affects the difference in STIP percentage for executives and non-executives. For example, please discuss why the salaries of executives more "at-risk" than non-executives.

Response 18:

The difference in short-term at-risk incentive compensation opportunities between the executive to non-executive levels is attributable to Citizens' pay philosophy of targeting compensation against competitive market levels. As such, executive positions at Citizens have higher at-risk short-term incentive compensation opportunities than non-executives, as competitive market data suggests executive positions have a higher percentage of total pay (as a % of base salary) tied to at-risk compensation, given their greater scope of responsibility and accountability.

Respondent:

Jodi L. Whitney

Question 19: Please provide an expected completion date for the compensation analysis being performed by Towers Watson. If that analysis is completed, please provide a copy of the report to the Commission.

Response 19:

Citizens anticipates that the Towers Watson analysis will be completed and presented to the Board of Directors at the regularly scheduled Board meeting on September 24, 2014. Citizens will supplement this response and provide the Commission with a copy of the report at that time.

Supplemental Response 19:

Please see the attached document identified as IURC DER – 2.19 for the Towers Watson analysis that was presented to Citizens' Board of Directors September 24, 2014.

Respondent:

Jodi L. Whitney

Question 20: Please explain why non-utility charges such as UtilityShield are not considered Unallowable Expenses under Section 8 of the MOU between the IHCDA and Citizens.

Response 20:

Citizens does not believe LIHEAP assistance or USP credits should be allocated to non-utility charges such as UtilityShield. Citizens did not intend for any assistance dollars (including $30,544 of LIHEAP assistance and $421 of USP credits) to be allocated to UtilityShield and, as stated in response to Question 22, Citizens has corrected the issue in the billing system on a going forward basis.

Respondent:

Michael D. Strohl

Question 21: Please indicate how many LIHEAP eligible customers received late fees or received service disconnections (and were required to pay a reconnection fee) on their gas service due to LIHEAP funds being applied to non-gas charges from October 2012 through April 2014. Please specify the number in each category (late fees and service disconnections). Please describe how Citizens proposes to reimburse customers affected by late fees and disconnections as a result of LIHEAP funds being applied to non-gas charges.

Response 21:

Answer still to come prior to September 26, 2014 hearing.

Respondent:

Leon D. Broughton

Question 22: Please provide the date that the billing system was changed to ensure that LIHEAP and USP funds are only applied as payment to eligible gas utility charges.

Response 22:

The solution to the USP fund credit application process was implemented August 4, 2014 (USP discounts are applicable only during the months of December through May). The LIHEAP payment application solution was implemented September 22, 2014. Transmittals are expected to begin when the State's Energy Assistance Program begins, on or about November 3rd.

Respondent:

Leon D. Broughton

Question 23: Please describe the steps Citizens has taken to ensure that all materials provided by The Manchester Group clearly state that it is not a Citizens product.

Response 23:

Section II, Paragraph C of the Service Agreement between Citizens and the Manchester Group (filed as Exhibit MDS-2), states "Marketer shall develop marketing materials, in consultation with the Company for all materials that include Company name, logo and images."

Citizens does not permit Manchester Group to initiate any marketing campaign without Citizens reviewing all marketing materials in advance. Citizens must approve the final version and requires the language noting that UtilityShield is a product of the Manchester Group and Manchester Group is not a Citizens company. Furthermore, Citizens provides a courtesy copy of marketing materials to Commission staff prior to authorizing any new marketing campaign.

Respondent:

Michael D. Strohl

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served on the following by electronic mail thereof on this 24th day of September, 2014 to:

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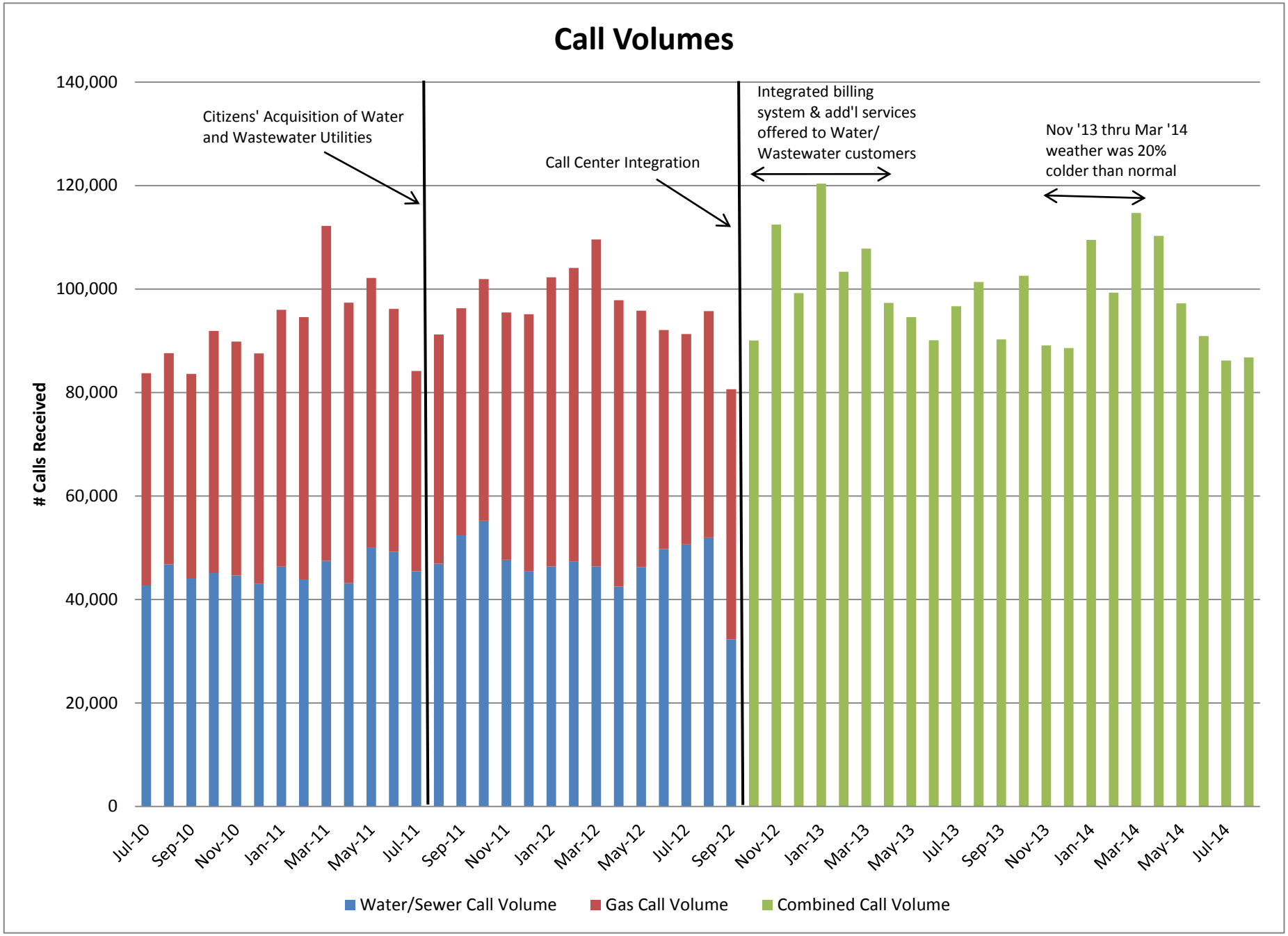

Call Volumes
Calls Received
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
Citizens' Acquisition of Water and Wastewater Utilities
Call Center Integration
Integrated billing system & add'l services offered to Water/ Wastewater customers
Nov '13 thru Mar '14 weather was 20% colder than normal
Jul-10
Sep-10
Nov-10
Jan-11
Mar-11
May-11
Jul-11
Sep-11
Nov-11
Jan-12
Mar-12
May-12
Jul-12
Sep-12
Nov-12
Jan-13
Mar-13
May-13
Jul-13
Sep-13
Nov-13
Jan-14
Mar-14
May-14
Jul-14
Water/Sewer Call Volume
Gas Call Volume
Combined Call Volume

Respondents' Exhibit RLH-2
Call Center Call Volume
Support Data

	Water/Sewer Call Volume	Gas Call Volume	Combined Call Volume
Jul-10	42,707	41,038	83,745
Aug-10	46,777	40,844	87,621
Sep-10	44,023	39,605	83,628
Oct-10	45,089	46,836	91,925
Nov-10	44,653	45,187	89,840
Dec-10	43,019	44,552	87,571
Jan-11	46,339	49,639	95,978
Feb-11	43,917	50,650	94,567
Mar-11	47,485	64,743	112,228
Apr-11	43,167	54,226	97,393
May-11	49,967	52,166	102,133
Jun-11	49,224	46,953	96,177
Jul-11	45,441	38,717	84,158
Aug-11	46,909	44,324	91,233
Sep-11	52,389	43,913	96,302
Oct-11	55,207	46,730	101,937
Nov-11	47,693	47,808	95,501
Dec-11	45,504	49,638	95,142
Jan-12	46,401	55,863	102,264
Feb-12	47,291	56,796	104,087
Mar-12	46,414	63,196	109,610
Apr-12	42,504	55,338	97,842
May-12	46,276	49,564	95,840
Jun-12	49,735	42,330	92,065
Jul-12	50,651	40,656	91,307
Aug-12	52,011	43,729	95,740
Sep-12	32,274	48,386	80,660
Oct-12			90,054
Nov-12			112,476
Dec-12			99,237
Jan-13			120,399
Feb-13			103,371
Mar-13			107,830
Apr-13			97,336
May-13			94,597
Jun-13			90,119
Jul-13			96,707
Aug-13			101,367
Sep-13			90,279
Oct-13			102,594
Nov-13			89,106
Dec-13			88,579
Jan-14			109,497
Feb-14			99,299
Mar-14			114,700
Apr-14			110,284
May-14			97,240
Jun-14			90,937
Jul-14			86,205
Aug-14			86,772

Average Daily Billing Exceptions by Type

#	Description	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Estimate Time to Clear Exception
1	Missing meter reading	3,778	3,475	3,819	2,868	2,715	3,225	2,130	2,240	2,724	3,148	2,813	1,294	2,692	45 seconds to 1 minute per exception
2	UOMS/Calc code rule not found in UTRSRAT/UTVSRAT	0	0	0	0	0	0	0	4	88	118	86	5	4	25 minutes
5	No service category for meter	4	3	3	3	1	2	0	1	1	1	1	0	0	2 minutes
7	Charge Frequency or Start Month zero	1	1	1	1	1	1	1	1	1	1	1	0	0	2 minutes
9	Meter reading exception not processed	11,623	11,440	4,276	2,445	6,681	2,632	114	852	1,125	1,496	1,435	1,379	129	45 seconds to 1 minute per exception
11	New reading required. Existing reading less than min connect	71	52	68	77	95	56	68	86	81	100	112	181	244	45 seconds to 1 minute per exception
14	Multiple uncharged READ/OUT rows found	26	28	31	33	32	15	0	2	8	11	11	7	9	20-30 minutes
15	SQL - Total for all ORA Error Types	37	64	170	217	68	37	53	72	69	65	59	15	10	20-30 minutes
16	Negative consumption on subtractive primary	0	0	0	0	0	0	0	0	0	0	0	0	0	2 minutes
25	Rate Expired for the Rate Combination	45	41	47	44	31	10	1	1	2	2	2	0	1	20-30 minutes
32	No weather data for reading period	0	0	0	2	1	1	1	0	0	0	0	0	0	will auto-clear on the next business date
33	Missing or overlapping range for avg temperature factor	0	0	0	0	0	0	0	0	4	0	0	0	0	will auto-clear on the next business date
34	Max Days of Service	6	7	21	41	53	61	52	60	72	84	123	5	4	2 minutes
40	Conversion factor (UTRCONV) between rate and meter not found	3	2	3	2	2	0	1	2	2	2	3	1	0	20-30 minutes
52	No connection size exists for	1	0	1	0	0	0	0	0	0	0	0	0	0	45 seconds to 1 minute per exception
82	Processing error returned by Tax Process. See log for error.	4	9	10	11	11	5	13	13	3	3	2	0	0	20-30 minutes
96	Days of Service are less than zero	228	363	366	118	121	76	38	39	33	55	41	16	23	5 minutes
99	Service History DOS>999	0	0	0	0	0	0	0	0	0	0	0	0	0	10-15 minutes
123	Primary service is a subsidary to its subsidiary service	0	0	0	0	0	0	0	0	0	0	0	0	0	5 minutes
124	Service Type rule not found for an associated service	0	0	0	0	0	0	0	0	0	0	0	0	0	10-15 minutes
125	Services in an association must be on the same cycle.	38	37	29	28	23	9	4	6	14	21	12	0	0	30 seconds
139	Bill Minimun Diff rate code not found	0	0	0	0	0	0	0	0	0	1,905	0	0	0	n/a
140	A service that is not moved in may not be in an association.	316	283	311	327	300	257	217	192	359	288	145	4	2	45 seconds to 1 minute per exception
146	% of association during billing period < 0 or > 100.	73	83	100	109	119	121	119	117	127	133	117	3	1	45 seconds to 1 minute per exception
147	Minimum connect dos for association error.	115	132	106	58	59	48	41	29	36	69	56	26	35	45 seconds to 1 minute per exception
158	Unknown error parsing Rate Formula.	23	22	22	0	0	4	6	6	8	9	6	0	0	30 seconds
160	Start Date of association is null	618	590	557	533	527	465	126	147	213	271	180	0	0	45 seconds to 1 minute per exception
201	Billgen Charge Process has Begun.	6	7	5	8	6	7	6	4	4	8	10	6	7	30 seconds
202	Billgen Charge Process completed with Validation errors.	2	0	1	1	0	0	1	0	0	0	1	0	0	30 seconds
203	Billgen Charge Process completed with Warnings.	19	10	35	61	2	93	52	2	4	193	49	3	54	30 seconds
204	Billgen Charge Process successful, not yet Approved.	140	148	474	112	1	57	115	1	1	366	106	1	267	30 seconds
205	Billgen Charges are approved, awaiting posting to Banner.	1	0	1	0	0	1	0	0	1	2	1	2	2	30 seconds
216	Looping - Invalid charge calc number on service history row	4	3	4	3	3	3	3	3	4	4	4	2	3	20-30 Minutes
217	UBBHIBC stored and no UBBCHST record stored for HBC service	421	561	1,076	1,383	575	8	3	7	11	12	31	1	1	45 seconds to 1 minute per exception
I	Interlock Row	138	128	1,915	147	67	134	139	62	62	331	139	58	737	30 seconds
	Average Total Number of Exceptions per Day	17,738	17,489	13,451	8,632	11,495	7,328	3,302	3,951	5,057	8,697	5,544	3,010	4,226	

Note: An account can have multiple billing exceptions. The numbers on this report reflect the total number of billing exceptions, not the number of accounts with a billing exception. The average number of accounts with a billing exception as of the end of August 2014 is 2001.

Payment Application Comparisions - Current Mod vs Base Functionality

Mod Payment Hierarchy		**Non Service Related Charges**
1. Active Services		1. All transferred charges
2. Non Service Related Charges		2. Incorrectly charged deposits
3. Inactive Services		3. Collection fee, reconnect fees, return check fees
		4. Relock and fraud fees
		5. Utility Shield
		6. Loan charges
Scenario	**Additional Description**	**Current Payment Application Mod Process**
1. Transferred Charges - from and to same service type (gas to gas) - Customer Pays Disconnect Amount	During the A/R transfer process, transferred charges lose their service number and become non service related charges	1. Transferred charges go through delinquency and become part of disconnect amount if unpaid. 2. Customer receives disconnect notice and pays disconnect amount 3. Payment applies to active service current charges before the non service related charges, thus leaving some of the disconnect amount unpaid. 4. The collection order may still be created, or not cancelled, and we may disconnect the customer in error. 5. Field Collection and SFS operations' efficiency are negatively impacted. 6. If the order remains open at next billing, the next bill will be an incorrect Type 2 notice. It should be a Type 1. 7. Increases customer calls (increases Average Handle Time and Average Speed of Answer) and increases amount of service recoveries provided. 8. IURC complaints 9. Decreased customer satisfaction displayed in areas such as social media.
1b. Transferred Charges - from and to same service type (gas to gas) - Customer Doesn't Pay Transferred Charges	During the A/R transfer process, transferred charges lose their service number and become non service related charges	1. Transferred charges go through delinquency. Cust decides not to pay the transferred charges and only pay the non-transferred charges. As long as the customer pays their current charges each month, we will never disconnect the customer for the unpaid transferred charges.
2. Customer pays their past due amount or disconnect amount stated on their bill	N/A	1. Because there could be non service related charges in the disconnect portion of the bill, CSRs now need to tell all customers they must pay their entire account balance, which may be more than is actually necessary to prevent disconnection. This is to ensure the customer is not disconnected after paying the disconnect portion of their bill. 2. Many customers will not call us and just pay disconnect amount and we don't have the opportunity to tell them to pay the full bill. 3. If the customer pays their entire past due, it is possible to disconnect the customer in error if non service related charges are part of the past due balance, because of the payment priority of the payment application mod. 4. Off in errors negatively impacts SFS operations. 5. Increases customer calls (increases Average Handle Time and Average Speed of Answer) and increases amount of service recoveries provided. 6. IURC complaints 7. Decreased customer satisfaction displayed in areas such as social media.

Scenario	Additional Description	Current Payment Application Mod Process
3. Analysis of A/R aging buckets for gas, water, and wastewater for active and inactive A/R		1. Because of the payment hierarchy for the payment application mod, active A/R may appear more delinquent than it truly is and is overstated while inactive A/R is understated. See #2 and #3 as examples. 2. When one service is disconnected and one remains active, the disconnected service still shows as active A/R, however will only get paid if the active service is paid in full first. 3. When gas A/R to a water only account, or water A/R to a gas only account is transferred, the dollars transferred show as active A/R, when the service does not exist. The transferred charges will only get paid when the active service is paid in full first. 4. Analysis of active and inactive A/R becomes very difficult because A/R for inactive services may show in active A/R. 5. Customer Suite will not select appropriate inactive services on active accounts for write off processing. 6. YE reserve forecasting becomes nearly impossible.
4. Payment Posting for Active Accounts with a Bad Debt	Payments made to active accounts with a recoverable bad debt balance, and the debt is placed with a collection agency, will apply differently based on the payment application mod rules that pay active charges first.	1. Outside Collection Agency may collect the debt and satisfy it on their end, while the payment posts to other (active) open items in Customer Suite. 2. Bad debt balance is incorrect in Customer Suite, thus may cause us to incorrectly deny service for it or transfer it in the future. 3. Customer may pay CEG directly because the Outside Collection Agency called them, and intend for the payment to satisfy their bad debt, however it goes to other (active) open items. The Outside Collection Agency does not get updated and continues to attempt to collect from the customer. 4. Our Outside Collection Agency may be in violation of the Fair Debt Collection Practices Act, thus making CEG a liable party in any lawsuits 5. Increases customer calls (increases Average Handle Time and Average Speed of Answer) and increases amount of service recoveries provided. 6. IURC complaints 7. Decreased customer satisfaction displayed in areas such as social media.
5. Impact to customer's internal Customer Suite credit rating	Customers receive credit hits when negative account actions occur (LPC, broken pymt arr, budget removal, disconnect notice, disconnect order, disconnect for nonpayment, etc.)	1. With some of the current mod scenarios, the customer will receive credit hits when they shouldn't, thus lowering their credit rating with CEG. Examples of hits in error include disconnect notice hits, collection order hits, and collection seal hits. 2. The customer may not be allowed to join the budget year round or be impacted by other credit decisions such as deposits charged, decision tree inaccuracies, incorrect letter of credits issues based on their incorrect credit rating. 3. Decreased customer satisfaction displayed in areas such as social media.
6. Removal from Utility Shield service	Accounts that are past due for two or more Utility Shield payments will be removed from the service.	1. Past due Utility Shield customers will not have past due utility shield charges paid if they only pay their past due amount. 2. Customer will be removed from Utility Shield when they paid their past due bill. 3. Increases customer calls (increases Average Handle Time and Average Speed of Answer) 4. Decreased customer satisfaction displayed in areas such as social media. 5. Decrease in WHWH contributions because CEG charges are paid when Utility Shield charges should be paid.

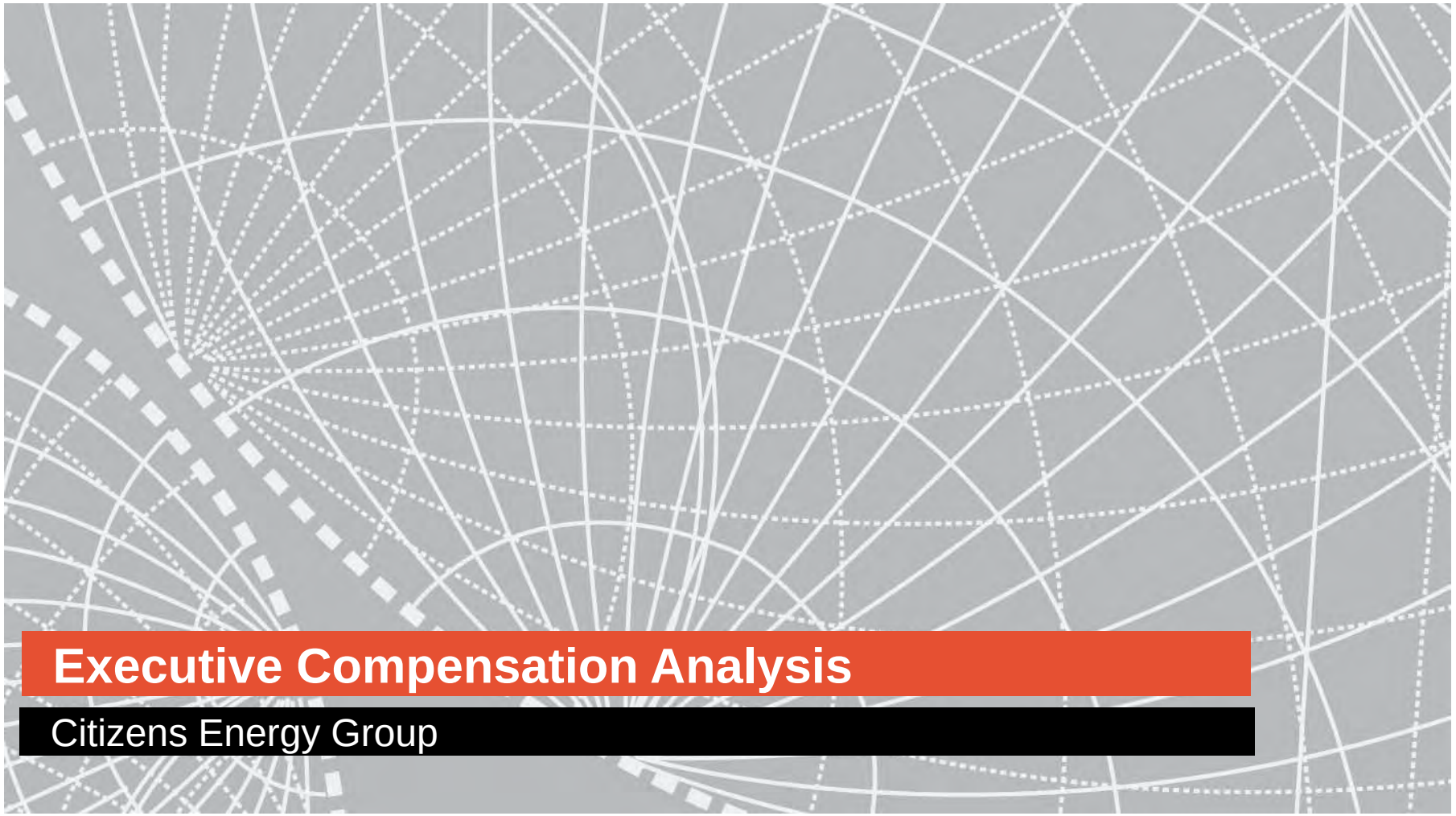
Scenario	Additional Description	Current Payment Application Mod Process
7. CSVHLD Short Term extension functionality/effectiveness negatively impacted	CSVHLD note should hold the account from being disconnected for ten days to allow for the customer to make their promised payment.	1. We may hold the account for a short term for the customer to pay their disconnect amount, however the payment may post in a way where we still disconnect the customer. 2. Increases off in errors 3. Field Collection efficiency negatively impacted 4. Increases customer calls (increases Average Handle Time and Average Speed of Answer) and increases amount of service recoveries provided. 5. IURC complaints 6. Decreased customer satisfaction displayed in areas such as social media.
8. Directed Payment Necessity	Example: In the summer, when gas service is inactive and water is active, the customer may only want to pay for water service. This mod achieves that result.	1. Less lobby visits for directed payments. 2. Fewer calls to question why their payment went toward the inactive service. 3. Lessens need to reverse the payment and reapply.
9. Transfer Charges from and to a different service (gas to water)	The gas charges are transferred to an account that is water only	1. If the customer pays their active services only, the transferred charges may never get paid. 2. A/R issues - see A/R scenario (#3).
10. One service is inactive and the other remains active.	Example: Gas is disconnected for nonpayment and water remains active.	1. Gas open items, regardless of age, will only get paid if payment over pays all open items, including those that are current. 2. A/R issues - see A/R scenario (#3).

Citizens Energy Group Customer Service Scorecard

RESULTS AS OF QUARTER ENDED:

	Sep 2014	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dec 2017
Call Center:														
Number of Calls Received														
Number of Calls Handled														
Average Handle Time														
% Calls Abandoned														
Number of Complaints Received														
Call Center FTE's														
Billing:														
Bills with Actual Reads														
Gas														
Water														
Bills with Estimated Reads														
Gas														
Water														
Services with billing exceptions at End of Month ("EOM")														
Cancel/Rebill Transactions														
Number of Accounts														
Dollar Amount														
Lead Adjustments (Water)														
Number of Accounts														
Dollar Amount														
Meter Reading:														
Meter Reading Completion Rate														
Meter Reading Accuracy Rate														
Number of Meter Reading Routes														
Meter Reading FTE's														

Explanations:



Executive Compensation Analysis

Citizens Energy Group

September 22, 2014

TOWERS WATSON

Contents

Executive Summary

- The Compensation Committee of the Board of Directors ("the Committee") of Citizens Energy Group ("CEG") engaged Towers Watson to conduct a competitive market review of CEG's top seventeen (17) positions
- Based on Towers Watson's interviews of selected Board members and Management, the articulated executive compensation philosophy was defined as the following:

Component	Philosophy
Market for Talent	• Investor owned utilities • Municipal/public power utilities • General industry
Competitive Market Pay Reference Point	• Primary market reference point: investor owned, municipal/public power utilities • Secondary market reference point (functional roles): general industry
Targeted Market Pay Position	• Market 50th percentile
Targeted Market Pay Component	• **Target Total Direct Compensation** (base salary + short-term incentive + long-term incentive)
CEG Pay Components	• Base Salary, and • Short-term Incentives
Form of Compensation	• Cash

Executive Summary

- Given CEG's defined executive compensation philosophy, the Board and Management have requested to examine competitive compensation data from the following two market perspectives:
  - Combined Municipal/Public Power and Investor-Owned Utilities
    - Reflects primary market for executive talent defined by Management and the Board
  - General Industry
    - Reflects the secondary market for talent for selected functional roles (i.e., HR, Finance, etc.) as defined by Management and the Board

Executive Summary

- Based on the market perspectives examined, the table below presents the average variance of the current CEG compensation elements from the market 50th percentile for all positions analyzed at that executive level:

	Base Salary	Target TCC[1]	Target TDC[2]
Municipal/Public Power & IOU[3]			
CEO	-5%	-2%	-10%
SVPs	10%	16%	-9%
VPs	-16%	-15%	-15%
General Industry[3]			
CEO	-12%	-22%	-32%
SVPs	-12%	-12%	-20%
VPs	-18%	-20%	-20%

(1) Target TCC (Target Total Cash Compensation) = base salary + target short-term incentive
(2) Target TDC (Target Total Direct Compensation) = base salary + target short-term incentive + long-term incentive
(3) Variance from Muni/Public Power & IOU and General Industry market perspectives reflect percentage differences between Citizens Energy Group's ("CEG") compensation and competitive market when data are available. If competitive market data are not available, then CEG compensation data for the position where market data are not available are not included in the calculation.

Executive Summary (continued)

Short and Long-term Incentives Market Prevalence

- Almost all investor-owned utilities have short- and long-term incentive plans
  - While short-term incentive plans are found at municipal/public power utilities, the prevalence is much lower than at investor-owned utilities
  - Towers Watson's anecdotal consulting experience suggests short-term incentives are more common at larger municipal/public power utilities (i.e. revenues greater than $500M) given the need to compete for executive talent with investor-owned utilities
- The prevalence of long-term incentives at municipal and public-power utilities tends to be low based on our consulting experience and limited market data available
  - Municipal/public power utilities that have long-term incentive plans tend to provide long-term incentives to select executives in order to compete for talent with investor-owned utilities

Executive Summary (continued)

Compensation Program Design Changes

Citizens' proposed compensation program changes include:

- **CEO position only**
  - Target total direct compensation at $1.2 million, reflecting over a 25% cut in pay
- **All Executives**
  - Reduce and cap the short-term incentive opportunity to 35% for all seventeen executives
    - CEO incentive opportunity will be the same as direct reports
  - Eliminate the Executive Incentive Plan ("EIP")
  - Adjust base salaries upward such that target total cash compensation for all executives (excluding the CEO) is reduced, on average, about 6%
- The following page compares CEG's proposed pay levels against the **primary** market reference point of municipal/public power & IOU target total direct compensation (base salary + target short-term incentive + long-term incentive) and a **secondary** general industry market reference for target total direct compensation

Executive Summary (continued)

- The table below reflects Citizens' proposed program changes outlined on the previous page:

					CEG Proposed TTC Difference from Market Data			
					Muni/Public Power & IOU		General Industry	
Executive	Position	CEG Current TTDC[1]	CEG Proposed TTC[2]	Curr. v. Prop. % diff	25th %tile TTDC % diff	50th %tile TTDC % diff	25th %tile TTDC % diff	50th %tile TTDC % diff
Carey Lykins	President & Chief Executive Officer	$1,641,750	$1,200,000	-27%	-14%	-34%	-38%	-50%
William Tracy	SVP, Chief Operations Officer	$690,000	$646,875	-6%	-2%	-21%	-27%	-41%
John Brehm	SVP & CFO	$596,000	$558,750	-6%	-7%	-21%	-21%	-38%
Margaret Richcreek	SVP & Chief Administrative Officer	$576,000	$540,000	-6%	19%	1%	7%	-18%
Jeffrey Harrison	SVP, Engineering & Sustainability	$526,000	$493,125	-6%	--	--	32%	6%
Lindsay Lindgren	VP, Water Operations	$471,600	$445,400	-6%	13%	-8%	-5%	-25%
Jennett Hill	SVP & General Counsel	$520,000	$487,500	-6%	-13%	-23%	-9%	-31%
Michael Strohl	SVP, Customer Relationships	$500,000	$468,750	-6%	32%	13%	34%	5%
John Lucas	VP, Information Technology	$370,600	$351,525	-5%	8%	-8%	-11%	-28%
Christopher Braun	VP, Energy Operations	$363,600	$343,400	-6%	-13%	-29%	-27%	-42%
Yvonne Perkins	VP, Community Relations	$336,600	$319,275	-5%	31%	6%	19%	-8%
Aaron Johnson	VP, Strategy & Corporate Development	$324,700	$307,988	-5%	--	--	39%	-2%
Latona Prentice	VP, Regulatory Affairs	$312,800	$296,700	-5%	5%	-15%	0%	-23%
Jodi Whitney	VP, Human Resources	$297,500	$282,188	-5%	-16%	-28%	-36%	-46%
Curtis Popp	VP, Engineering & Shared-Field Services	$315,000	$297,500	-6%	--	--	7%	-18%
Blaire Dougherty	VP, Controller	$297,500	$282,188	-5%	-18%	-31%	-6%	-27%
Mark Jacob	VP, Major Capital Projects	$315,000	$297,500	-6%	--	--	18%	-18%
Aggregate[3]		**$8,454,650**	**$7,618,663**	**-10%**	**--**	**--**	**-12%**	**-31%**
Aggregate[4]		**$6,973,950**	**$6,222,550**	**-11%**	**-2%**	**-20%**	**--**	**--**

(1) TTDC (Target Total Direct Compensation) = base salary + target short-term incentive + long-term incentive
(2) TTC (Target Total Cash) = base salary + target short-term incentive
(3) "Aggregate" reflects the sum of the values in each column.
(4) "Aggregate" reflects the sum of the value in each columns where market data are available. The "% diff" column represents the percentage difference between the Proposed TTC (Target Total Cash) column and the market data. When market data are not available, Citizens Energy Group's proposed TTC value is not included in the percentage difference calculation.

Appendices

Appendix A

Market Analysis Terminology

- The following definitions are provided to facilitate an understanding of the analyses contained in this report:
  - **Municipal/Public Power Utility** – a utility that maintains the infrastructure for a public service that is subject to public control and regulation
  - **Base Salary** – the fixed and recurring part of an executive's annual compensation
  - **Short-Term Incentive** – the part of compensation tied to performance during a twelve-month period which may vary with company, business unit or individual performance
  - **Target Short-Term Incentive % –** the target short-term incentive amount stated as a percentage of base salary
  - **Target Total Cash Compensation (Target TCC) –** the sum of base salary and target short-term incentive
  - **Target Long-Term Incentive (LTI) –** the annualized accounting value of target long-term incentives, which is pay at risk typically paid over multiple years
  - **Target Total Direct Compensation (Target TDC) –** the sum of target total cash compensation and target long-term incentives
  - **25th Percentile –** the figure above which 75% of all reported data fall
  - **50th Percentile (median) –** the figure above and below which 50% of all reported data fall

Appendix A
Methodology

- To develop competitive pay references for the executive positions under study, Towers Watson took the following steps:
  - Gathered position specific information and current compensation data from CEG
  - Gathered additional information from CEG to ensure an accurate understanding of the scope of the organization and its businesses
  - Compiled appropriate general and utility industry data from four survey sources, as described on the following page, reflecting the following market perspectives, as articulated by the Board
    - Muni/Public Power and Investor-Owned Utilities
    - General Industry
  - Gathered and analyzed the competitive compensation data in accordance with CEG's target markets
    - Used applicable size-appropriate market data to reflect the appropriate CEG revenue scope
  - Data were aged using an annual update factor of 3.0% to an effective date of May 1, 2014

Appendix A

Methodology – Survey Sources

- **Energy Services Industry**
  - 2013/2014 Towers Watson CDB Energy Services Executive Compensation Survey, over 104 survey participants
    - Custom peer group comprised of 22 municipal/public power and investor owned utilities, see Appendix B for peer group
- **General Industry**
  - 2013/2014 Towers Watson CDB General Industry Executive Compensation Survey, over 442 survey participants
  - 2013/2014 Towers Watson CSR General Industry Top Management Compensation Survey, over 480 survey participants
  - 2013/2014 Mercer US Benchmark Database Executive Compensation Survey, over 445 survey participants

Appendix B

Towers Watson CDB Published Energy Services Survey Custom Peer Group

- Peer group was chosen based on utilities with revenues in a range approximately ½ to 2 times Citizen Energy's revenues of $800 million

Company	Company Type
UIL Holdings Corporation	Investor-Owned Utility
Avista Corp.	Investor-Owned Utility
UNS Energy	Investor-Owned Utility
Jacksonville Electric Authority	Muni/Public Power
Sacramento Municipal Utility District	Muni/Public Power
PNM Resources, Inc.	Investor-Owned Utility
Oglethorpe Power	Muni/Public Power
Black Hills Corporation	Investor-Owned Utility
Idaho Power	Investor-Owned Utility
Questar Corporation	Investor-Owned Utility
Northwestern Corporation	Investor-Owned Utility
Lower Colorado River Authority	Muni/Public Power
Cleco Corporation	Investor-Owned Utility
Omaha Public Power	Muni/Public Power
ALLETE, Inc.	Investor-Owned Utility
Colorado Springs Utilities	Muni/Public Power
El Paso Electric Co.	Investor-Owned Utility
Northwest Natural Gas Company	Investor-Owned Utility
Ohio Valley Electric	Investor-Owned Utility
MGE Energy Inc.	Investor-Owned Utility
Energy Northwest	Muni/Public Power
Unitil Corp.	Investor-Owned Utility

n = 22